

CLARKSVILLE-MONTGOMERY COUNTY
ECONOMIC DEVELOPMENT COUNCIL
AUDITED FINANCIAL STATEMENTS
AND OTHER INFORMATION
JUNE 30, 2017 AND 2016

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CLARKSVILLE-MONTGOMERY COUNTY
ECONOMIC DEVELOPMENT COUNCIL
DIRECTORY OF OFFICIALS
(UNAUDITED)
JUNE 30, 2017

Board Members:

Mr. Tommy Bates, Chairman	Member
Ms. Louisa Cooke, Vice-Chairman	Member
Mr. Charlie Koon, Secretary/Treasurer*	Member
Mr. Jerry Allbert*	Member
Mr. Billy Atkins	Member
Sen. Mark Green	Ex-Officio
Mr. Geno Grubbs	Member
Mr. Sidney Johnson	Member
Ms. Brenda Kelley	Ex-Officio
Rep. Curtis Johnson	Ex-Officio
Rep. Joe Pitts	Ex-Officio
Rep. Jay Reedy	Ex-Officio
Dr. Alisa White	Ex-Officio
Mr. Carl Wilson	Member
Dr. B.J. Worthington	Ex-Officio

Chamber of Commerce Appointees:

Mr. Kevin Judish
Ms. Julie Parks

Industrial Development Board Appointees:

Ms. Suzanne Langford
Mr. David Riggins

Tourism Commission Appointees:

Ms. Carol Daniels
Ms. Carolyn Pierce

City Council Appointees:

Mayor Kim McMillan
Mr. Bill Powers

County Commission Appointees:

Mayor Jim Durrett
Mr. Tommy Vallejos

Management:

Mr. Calvin Wray, Executive Director
Mr. Shannon Green, Vice President of Finance and Human Resources

* Denotes member of finance committee, along with the Treasurers of the Chamber and IDB



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Clarksville-Montgomery County
Economic Development Council
Clarksville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the Clarksville-Montgomery County Economic Development Council (EDC) as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of the EDC as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements. The introductory section listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2017, on our consideration of the EDC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the EDC's internal control over financial reporting and compliance.

Stone Rudolph & Henry, PLC

Clarksville, Tennessee
December 5, 2017

CLARKSVILLE-MONTGOMERY COUNTY ECONOMIC DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2017 AND 2016

Our discussion and analysis of the Clarksville-Montgomery County Economic Development Council's (EDC) financial performance provides an overview of the EDC's financial activity for the year ended June 30, 2017. Please read it in conjunction with the financial statements, which follow this section.

Financial Highlights

- The EDC's total assets were over \$180,000 at the end of the year's operations.
- Income from operating revenues was \$880,291 while expenses were \$895,686.
- The EDC's net position decreased \$15,369 for FY 2017.

Required Financial Statements

The financial statements of the EDC report information about the EDC using generally accepted accounting principles. These statements offer financial information about its activities. The Statement of Net Position includes all of the EDC's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations (liabilities). All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the EDC's operations over the past year and can be used to determine if the EDC recovered all its costs through the funding provided. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the EDC's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the EDC

The financial statements of the EDC represent the cash flow of administrative operations related to its member organizations (Chamber of Commerce, Tourism Commission, and Industrial Development Board). In addition to the actual cash received and expended, the EDC receives the benefit of private dollars through the marketing efforts of Aspire Clarksville (the Foundation). For fiscal year 2017, the Foundation spent more than \$580,000 for economic development, with over \$47,500 representing image and market development efforts benefiting the EDC's operations. Over time, increases or decreases in net assets can show whether the entity is improving or deteriorating. However, other non-financial factors such as economic conditions, the focus of the Foundation and changes in legislation and the local legislative agenda should also be considered.

One of the most important questions asked about the EDC's finances is "Is the organization as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the EDC's activities in a way that will help answer this question.

Net Position

An increase in net position is an indicator that an entity is improving. To begin our analysis, summaries of the Statements of Net Position are presented in Table A-1.

CLARKSVILLE-MONTGOMERY COUNTY ECONOMIC DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2017 AND 2016

CLARKSVILLE-MONTGOMERY COUNTY
ECONOMIC DEVELOPMENT COUNCIL
STATEMENTS OF NET POSITION
JUNE 30, 2017, 2016 AND 2015
TABLE A-1

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2017</u> <u>Percent</u> <u>Change</u>	<u>2016</u> <u>Percent</u> <u>Change</u>
<u>ASSETS AND DEFERRED</u>					
<u>OUTFLOWS OF RESOURCE</u>					
Current assets	\$ 157,200	\$ 121,637	\$ 130,769	29%	-7%
Net investments in capital assets	<u>23,546</u>	<u>34,374</u>	<u>38,551</u>	<u>-32%</u>	<u>-11%</u>
Total assets	<u>180,746</u>	<u>156,011</u>	<u>169,320</u>	<u>16%</u>	<u>-8%</u>
<u>DEFERRED OUTFLOWS</u>					
<u>OF RESOURCES</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>TOTAL ASSETS AND DEFERRED</u>					
<u>OUTFLOWS OF RESOURCES</u>	<u>\$ 180,746</u>	<u>\$ 156,011</u>	<u>\$ 169,320</u>	<u>16%</u>	<u>-8%</u>
<u>LIABILITIES, DEFERRED INFLOWS</u>					
<u>OF RESOURCES AND NET POSITION</u>					
Current liabilities	\$ 67,707	\$ 27,603	\$ 37,503	145%	-26%
Long-term liabilities	<u>77,000</u>	<u>77,000</u>	<u>82,351</u>	<u>-</u>	<u>-6%</u>
Total liabilities	<u>144,707</u>	<u>104,603</u>	<u>119,854</u>	<u>38%</u>	<u>-13%</u>
<u>DEFERRED INFLOWS</u>					
<u>OF RESOURCES</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>NET POSITION</u>					
Net investment in capital assets	23,546	29,020	27,990	-19%	4%
Unrestricted	<u>12,493</u>	<u>22,388</u>	<u>21,476</u>	<u>-44%</u>	<u>4%</u>
Total net position	<u>36,039</u>	<u>51,408</u>	<u>49,466</u>	<u>-30%</u>	<u>4%</u>
<u>TOTAL LIABILITIES, DEFERRED</u>					
<u>INFLOWS OF RESOURCES</u>					
<u>AND NET POSITION</u>	<u>\$ 180,746</u>	<u>\$ 156,011</u>	<u>\$ 169,320</u>	<u>16%</u>	<u>-8%</u>

Nearly all liabilities incurred by the EDC initiate an equal receivable due from its partner agencies. As a result, there is usually very little overall change in the net position of the EDC. Changes in current assets and current liabilities from 2015 through 2017 are normal timing variations experienced from year to year and are not to be indicative of a trend toward a healthier or less healthy net position.

CLARKSVILLE-MONTGOMERY COUNTY ECONOMIC DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2017 AND 2016

Capital assets are made up of some furnishings, office automation, and a company vehicle. Such assets were purchased primarily through the EDC's operating budget. The FY16 increase in net position (4%) and the ensuing decrease in FY17 (-30%) are due primarily to the purchase and depreciation of the company vehicle and office automation. The remaining \$77,000 of the long-term liabilities (unchanged for 2015 through 2017) represents refundable deposits made by the member organizations of the EDC. Such deposits enable the EDC to operate with less frequent reimbursements.

Revenue, Expenses and Changes in Net Position

While the Statement of Net Position shows the change in financial position, the Statement of Revenues, Expenses and Changes in Net Position detail the nature and source of these changes. In Table A-2 below, you will notice relatively small and somewhat offsetting changes in net position for all years presented. Generally, the operations of the EDC result in close to no change in net position as a result of the reimbursement agreement maintained between the EDC and its member organizations. The changes in net position are related primarily to capitalizing and depreciating capital assets.

In FY 2016 operating revenues and expenses were down 6% and 7% respectively. In FY 2017 operating revenues and expenses were up 7% and 9% respectively. These changes were due in large part to the prevalence of Aspire-funded marketing initiatives in the related years.

CLARKSVILLE-MONTGOMERY COUNTY
ECONOMIC DEVELOPMENT COUNCIL
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2017, 2016 AND 2015
TABLE A-2

	2016	2016	2015	2017 Percent Change	2016 Percent Change
Operating revenues	\$ 880,291	\$ 821,698	\$ 874,440	7%	-6%
Non-operating revenues	26	25	19	4%	32%
Total revenue	<u>880,317</u>	<u>821,723</u>	<u>874,459</u>	<u>7%</u>	<u>-6%</u>
Operating expenses	895,686	819,781	879,004	9%	-7%
Non-operating expenses	-	-	-	0%	0%
Total expenses	<u>895,686</u>	<u>819,781</u>	<u>879,004</u>	<u>9%</u>	<u>-7%</u>
Change in net position	(15,369)	1,942	(4,545)	-891%	143%
Net position, beginning	<u>51,408</u>	<u>49,466</u>	<u>54,011</u>	<u>4%</u>	<u>-8%</u>
Net position, ending	<u>\$ 36,039</u>	<u>\$ 51,408</u>	<u>\$ 49,466</u>	<u>-30%</u>	<u>4%</u>

CLARKSVILLE-MONTGOMERY COUNTY ECONOMIC DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2017 AND 2016

Cash Flows

The Statement of Cash Flows reports the net changes in cash resulting from operating, investing, and financing activities. It provides information on an entity's liquidity, financial flexibility and operating capacity. As shown in Table A-3, cash decreased by over \$12,000.

CLARKSVILLE-MONTGOMERY COUNTY
ECONOMIC DEVELOPMENT COUNCIL
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017, 2016 AND 2015
TABLE A-3

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cash flow from operating activities	\$ (4,439)	\$ 5,106	\$ 7,525
Cash flows from capital and related financing activities	(7,902)	(13,400)	(10,546)
Cash flows from investing activities	<u>26</u>	<u>25</u>	<u>19</u>
Net increase (decrease) in cash and cash equivalents	(12,315)	(8,269)	(3,002)
Cash and cash equivalents – beginning	<u>12,543</u>	<u>20,812</u>	<u>23,814</u>
Cash and cash equivalents – ending	<u>\$ 228</u>	<u>\$ 12,543</u>	<u>\$ 20,812</u>

Most of the cash generated is used for operating expenses and Foundation expenses (marketing and development). The EDC had cash and cash equivalents of \$228 at the end of this fiscal year. The most noteworthy characteristic of the EDC's cash position for FY 2017 is that the amount of cash flows from capital and related financing activities was the lowest since FY 2012 due to the eminent payoff of the vehicle note and fewer equipment purchases. The EDC's cash flow situation is healthy since all expenses are offset as they are incurred (either reimbursements from agencies or Foundation grants).

Budgetary Highlights

Although the EDC is not legally required to adopt a budget, one is prepared annually for internal use only. The budget is comprised of two parts, the routine administration of the EDC and the Foundation initiatives. The Executive Committee and full board of the EDC approve the EDC administration portion of the budget. The Foundation board determines the Aspire initiatives that it intends to fund for the coming year and then the EDC's Aspire initiatives are funded by Foundation grants. The administrative budget is then allocated to the Chamber of Commerce, the Tourism Commission, and the Industrial Development Board. These amounts are incorporated into each respective agency's budget. It is in effect for the entire fiscal year. The EDC management uses the budget as a planning tool for the coming year.

Economic Factors and Next Year's Budget

Most entities conduct business planning with the intent to increase sales to existing customers and to increase the overall customer base. A more appropriate goal for an entity such as the EDC is to successfully encourage economic growth throughout Montgomery County by facilitating and coordinating the efforts of its member agencies: the Industrial Development Board, the Tourism

CLARKSVILLE-MONTGOMERY COUNTY ECONOMIC DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2017 AND 2016

Commission, and the Chamber of Commerce. A good measure of the financial health of the EDC can be obtained from a collective look at the performance of these agencies. External factors that can impact the financial condition of the EDC include member agency finances, the finances of the City of Clarksville and Montgomery County governments, regional economic trends, and Fort Campbell activities. Barring any unexpected changes in such external factors we anticipate a continuation, if not acceleration, of the economic growth and health of the Clarksville and Montgomery County region. As a result, we do not expect significant changes in next year's budget.

Contacting the Council's Financial Management

This financial report is designed to provide a general overview of the EDC's finances. If you have any questions about this report or need any additional information contact the Director of Finance and Human Resources, Clarksville-Montgomery County Economic Development Council, P.O. Box 883, Clarksville, Tennessee 37041-0883.

CLARKSVILLE-MONTGOMERY COUNTY ECONOMIC DEVELOPMENT COUNCIL
STATEMENTS OF NET POSITION
JUNE 30, 2017 AND 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2017</u>	<u>2016</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 228	\$ 12,543
Accounts receivable	-	862
Aspire grant receivable	41,220	9,588
Due from related parties	92,741	87,343
Prepaid expenses	23,011	11,301
Total current assets	<u>157,200</u>	<u>121,637</u>
<u>CAPITAL ASSETS</u>		
Furniture, fixtures and equipment	95,311	92,763
Vehicles	23,326	23,326
Total vehicles and equipment	<u>118,637</u>	<u>116,089</u>
Less: accumulated depreciation	<u>(95,091)</u>	<u>(81,715)</u>
Net capital assets	<u>23,546</u>	<u>34,374</u>
Total assets	180,746	156,011
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 180,746</u>	<u>\$ 156,011</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 67,707	\$ 22,249
Current portion of notes payable	-	5,354
Total current liabilities	<u>67,707</u>	<u>27,603</u>
<u>LONG-TERM LIABILITIES</u>		
Deposits payable to related parties	77,000	77,000
Total long-term liabilities	<u>77,000</u>	<u>77,000</u>
Total liabilities	<u>144,707</u>	<u>104,603</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	<u>-</u>	<u>-</u>
<u>NET POSITION</u>		
Net investment in capital assets	23,546	29,020
Unrestricted	12,493	22,388
Total net position	<u>36,039</u>	<u>51,408</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 180,746</u>	<u>\$ 156,011</u>

The accompanying notes are an integral part of the financial statements.

CLARKSVILLE-MONTGOMERY COUNTY ECONOMIC DEVELOPMENT COUNCIL
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>OPERATING REVENUES</u>		
Aspire grant	\$ 80,641	\$ 42,436
Other income	2,794	1,020
Support services reimbursement	796,856	778,242
Total operating revenues	<u>880,291</u>	<u>821,698</u>
<u>OPERATING EXPENSES</u>		
Advertising	4,349	768
Aspire initiatives	80,641	42,436
Communications	13,772	14,011
Depreciation	13,376	12,370
Equipment	6,889	4,748
Fringe benefits	81,562	77,218
Insurance	9,832	9,759
Public relations	2,222	1,103
Lease	84,867	81,764
Miscellaneous	6,970	7,336
Payroll taxes	32,557	32,799
Personnel	491,361	471,146
Printing and stationery	1,274	2,540
Professional and consulting	17,512	20,070
Repairs and maintenance	37,534	33,753
Supplies	4,330	3,539
Travel, meals and entertainment	6,638	4,421
Total operating expenses	<u>895,686</u>	<u>819,781</u>
<u>OPERATING INCOME (LOSS)</u>	<u>(15,395)</u>	<u>1,917</u>
<u>NON-OPERATING REVENUES</u>		
Interest income	26	25
Total non-operating revenues	<u>26</u>	<u>25</u>
<u>CHANGE IN NET POSITION</u>	(15,369)	1,942
<u>NET POSITION - BEGINNING</u>	<u>51,408</u>	<u>49,466</u>
<u>NET POSITION - ENDING</u>	<u>\$ 36,039</u>	<u>\$ 51,408</u>

The accompanying notes are an integral part of the financial statements.

CLARKSVILLE-MONTGOMERY COUNTY ECONOMIC DEVELOPMENT COUNCIL
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash paid to suppliers	\$ (357,201)	\$ (353,557)
Cash paid to employees	(491,361)	(471,146)
Cash received from related parties	844,123	829,809
Net cash provided by (used in) operating activities	<u>(4,439)</u>	<u>5,106</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Payments on notes payable	(5,354)	(5,207)
Purchases of capital assets	(2,548)	(8,193)
Net cash used in capital and related financing activities	<u>(7,902)</u>	<u>(13,400)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest received	26	25
Net cash provided by investing activities	<u>26</u>	<u>25</u>
<u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u>	(12,315)	(8,269)
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>12,543</u>	<u>20,812</u>
<u>CASH AND CASH EQUIVALENTS - ENDING</u>	<u>\$ 228</u>	<u>\$ 12,543</u>

The accompanying notes are an integral part of the financial statements.

CLARKSVILLE-MONTGOMERY COUNTY ECONOMIC DEVELOPMENT COUNCIL
STATEMENTS OF CASH FLOWS (CONT'D)
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO</u>		
<u>NET CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Operating income (loss)	\$ (15,395)	\$ 1,917
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	13,376	12,370
Changes in:		
Accounts receivable	862	(862)
Due from related parties	(5,398)	177
Aspire grant receivable	(31,632)	8,796
Prepaid expenses	(11,710)	(7,248)
Accounts payable	45,458	(10,044)
Net cash provided by (used in) operating activities	<u>\$ (4,439)</u>	<u>\$ 5,106</u>

CLARKSVILLE-MONTGOMERY COUNTY ECONOMIC DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

1. Summary of Significant Accounting Policies

Reporting Entity

In fiscal year 1995, the Clarksville-Montgomery County Economic Development Council (EDC) was organized to develop, coordinate and implement a comprehensive marketing plan to promote the economic prosperity of Clarksville-Montgomery County and the surrounding area. The EDC represents a joint venture of the Clarksville-Montgomery Industrial Development Board (IDB), Clarksville Area Chamber of Commerce (Chamber), and the Clarksville-Montgomery County Tourism Commission (Tourism). The organizations are obligated to support the EDC financially as set forth in the annual budget.

The EDC, for financial statement purposes, includes all of the assets and liabilities relevant to the operations of EDC. The financial statements presented herein do not include any other funds, agencies, or organizations which are separate and distinct units of themselves.

The EDC is qualified as a tax-exempt organization under Internal Revenue Code Section 501(c)(6) and is not classified as a private foundation. Accordingly, no provision for income tax has been made. However, the EDC does file informational returns required by the Internal Revenue Service (IRS). The EDC is no longer subject to federal or state income tax examinations by tax authorities for fiscal years ended before June 30, 2014.

Use of Estimates

The EDC's financial statements are presented in accordance with accounting principles generally accepted in the United States of America which require the use of management's estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates in the near term and these variances could have a material effect on these financial statements.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The financial statements of the EDC have been prepared using the economic resources measurement focus using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

Concentrations of Credit Risk

Financial instruments that potentially subject the EDC to significant concentrations of credit risk consist principally of cash and receivables. Custodial credit risk for the EDC's deposits is the risk

CLARKSVILLE-MONTGOMERY COUNTY ECONOMIC DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2017 AND 2016

1. Summary of Significant Accounting Policies (Cont'd)

Concentrations of Credit Risk (Cont'd)

that the EDC's deposits may not be returned in the event of a bank failure. As required by state statutes, the EDC's policy is to require that financial institutions holding its deposits be members of the Tennessee Collateral Pool or pledge collateral for deposits in excess of federal depository insurance. The collateral is required to be held by the EDC or its agent in the EDC's name. With respect to receivables, credit risk is primarily limited to amounts due from related entities including the IDB, Chamber, Tourism, and Aspire Clarksville. The EDC does not obtain collateral for receivables.

Cash and Cash Equivalents

The EDC considers all highly liquid investments purchased with a maturity date of 90 days or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Restricted Assets

When both restricted and unrestricted resources are available for use, it is the EDC's policy to use restricted resources first, then unrestricted as needed.

Capital Assets

Capital assets are recorded at historical cost or, if contributed, at estimated fair values at the date of receipt. Capital assets with an initial, individual cost of \$500 or more and an estimated useful life of more than two years are capitalized. Expenditures for additions, major renovations and improvements are capitalized while those for maintenance and repairs are charged to expense as incurred. Capital assets are depreciated over their estimated useful lives using the straight-line method.

Compensated Absences

Employees are required to take earned vacation days within the fiscal year and sick days are not paid upon separation. Therefore, compensated absences are not accrued.

Operating Revenues and Expenses

Operating revenues and expenses of the EDC are those that result from providing services and producing and delivering goods and/or services. Other revenues and expenses are classified as non-operating in the financial statements.

Advertising Costs

Advertising costs are expensed as incurred.

Uncollectible Accounts

Bad debts are charged to the related revenue account using the direct-write-off method, which is not materially different from the allowance-for-bad-debt method.

Date of Management's Review

Subsequent events have been evaluated through **December 22, 2016**, which is the date the financial statements were available to be issued.

CLARKSVILLE-MONTGOMERY COUNTY ECONOMIC DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2017 AND 2016

2. Cash and Cash Equivalents

Cash and other deposits are restricted to deposits with federally-insured institutions and must be approved by the board of directors.

At June 30, 2017 and 2016, cash and cash equivalents included bank balances of \$27,088 and \$52,901, respectively, all of which was insured by the FDIC or the State of Tennessee Bank Collateral Pool.

3. Capital Assets

A summary of changes in capital assets and accumulated depreciation for the year ended June 30, 2017 follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital assets				
Furniture, fixtures and equipment	\$ 92,763	\$ 2,548	\$ -	\$ 95,311
Vehicles	<u>23,326</u>	<u>-</u>	<u>-</u>	<u>23,326</u>
	<u>\$ 116,089</u>	<u>\$ 2,548</u>	<u>\$ -</u>	<u>\$ 118,637</u>
Accumulated depreciation				
Furniture, fixtures and equipment	\$ 72,385	\$ 8,711	\$ -	\$ 81,096
Vehicles	<u>9,330</u>	<u>4,665</u>	<u>-</u>	<u>13,995</u>
	<u>\$ 81,715</u>	<u>\$ 13,376</u>	<u>\$ -</u>	<u>\$ 95,091</u>

A summary of changes in capital assets and accumulated depreciation for the year ended June 30, 2016 follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2016</u>
Capital assets				
Furniture, fixtures and equipment	\$ 84,570	\$ 8,193	\$ -	\$ 92,763
Vehicles	<u>23,326</u>	<u>-</u>	<u>-</u>	<u>23,326</u>
	<u>\$ 107,896</u>	<u>\$ 8,193</u>	<u>\$ -</u>	<u>\$ 116,089</u>
Accumulated depreciation				
Furniture, fixtures and equipment	\$ 64,680	\$ 7,705	\$ -	\$ 72,385
Vehicles	<u>4,665</u>	<u>4,665</u>	<u>-</u>	<u>9,330</u>
	<u>\$ 69,345</u>	<u>\$ 12,370</u>	<u>\$ -</u>	<u>\$ 81,715</u>

CLARKSVILLE-MONTGOMERY COUNTY ECONOMIC DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2017 AND 2016

4. Related Party Transactions

During the years ended June 30, 2017 and 2016, the Chamber, Tourism, and IDB paid EDC a total of \$797,658 and \$772,270, respectively, for group purchases. These group purchases are primarily personnel and administrative expenses incurred by the EDC on behalf of the Chamber, Tourism, and IDB and are reimbursed one-third each by the related entities.

The EDC had amounts payable to related parties of \$-0- and \$-0- and amounts due from related parties of \$92,741 and \$87,343 at June 30, 2017 and 2016, respectively. All of those amounts were classified as either current assets or liabilities. The EDC previously received deposits totaling \$77,000 from the Chamber, Tourism, and IDB. Those deposits were classified as long-term liabilities at June 30, 2017 and 2016 because no portion is required to be repaid within the next fiscal year.

5. Operating Lease

In November 2016, the EDC exercised an option to extend the office space lease for an additional five-year period through November 2021. Lease terms are \$8.53 per square foot (\$7,107 monthly). The EDC has subleases with the Chamber, IDB and Tourism which fully offsets this lease obligation. The total amount of lease expense for the years ended June 30, 2017 and 2016 was \$84,867 and \$81,764, respectively.

6. Long-Term Debt

Long-term debt consists of the following:

	<u>2017</u>	<u>2016</u>
Note payable bearing interest at 2.75% secured by a vehicle; principal and interest are payable in monthly installments, paid off in June 2017.	\$ -	\$ 5,354
Less: Current portion	-	5,354
Total long-term debt excluding current portion	<u>\$ -</u>	<u>\$ -</u>

Changes in long-term debt (including current portions) for the year ended June 30, 2017, were as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Estimated</u> <u>Amount Due</u> <u>in Year Ending</u> <u>June 30, 2018</u>
Notes payable	\$ 5,354	\$ -	\$ 5,354	\$ -	\$ -

CLARKSVILLE-MONTGOMERY COUNTY ECONOMIC DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2017 AND 2016

7. Pension Plan

The EDC maintains a 401(k) defined contribution plan administered by American Chamber of Commerce Executives (ACCE). All employees who have completed one year of service, reached age 21, and work one thousand hours or more per year are eligible to participate. For each plan year that the employee participates, the EDC will contribute an amount equal to four percent of the participant's total annual earnings as the employer basic contribution. Employees can make pre-tax contributions from one to one hundred percent of total annual earnings in which they are immediately vested. The EDC will match one hundred percent of pre-tax contributions up to a maximum of four percent as the employer matching contribution. With regard to contributions of the EDC, vesting occurs immediately.

Total employee contributions for the years ended June 30, 2017 and 2016, were \$18,389 and \$11,350, respectively. Employer expenses of \$36,446 and \$28,976 were incurred and reimbursed by the related organizations for those years.

8. Contingencies

The EDC's exposure to general liability is handled through the purchase of commercial insurance. Insurance coverage was adequate to cover settlements for the past three fiscal years.

9. Concentration of Revenues

The EDC is primarily funded by reimbursements of expenses paid on behalf of the Chamber, Tourism, and IDB. A major reduction in funding by one or more of these entities could have a significant effect on the future operations of the EDC.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Clarksville-Montgomery County
Economic Development Council
Clarksville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Clarksville-Montgomery County Economic Development Council (EDC) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the EDC's basic financial statements, as listed in the table of contents, and have issued our report thereon dated December 5, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the EDC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the EDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the EDC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the EDC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stone Rudolph & Henry, PLC

Clarksville, Tennessee
December 5, 2017

CLARKSVILLE-MONTGOMERY COUNTY ECONOMIC DEVELOPMENT COUNCIL
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

There were no prior year findings reported.